Before the FEDERAL COMMUNICATIONS COMMISSION Washington, DC 20554

In the Matter of)	
)	
Connect America Fund)	WC Docket No. 10-90
High Coat Universal Company Summer)	WC Docket No. 05-337
High-Cost Universal Service Support	{	WC Docket No. 03-337

PETITION OF KENNEBEC TELEPHONE COMPANY, INC. FOR A WAIVER OF THE APPLICATION OF THE FCC'S JANUARY 15, 2014 ORDER

Rod Bowar, President/General Manager

Kennebec Telephone Company 220 South Main Street P.O. Box 158 Kennebec, SD 57544 Tel.: 605-869-2220

Filed: January 28, 2014

I. INTRODUCTION

Kennebec Telephone Company, Inc. ("Kennebec") respectfully petitions the Commission, pursuant to Section 1.3¹ of its rules, for a waiver of the application of the Commission's high-cost benchmarks released on January 15, 2014 to Kennebec for 2014. As explained herein, because the effects of the benchmarks in 2014 to Kennebec arise specifically

¹ 47 C.F.R. § 1.3.

due to expenses incurred in correcting the erroneous application of the benchmarks in prior years, good cause exists to grant the requested waiver of the 2014 benchmarks.

II. FACTS IN SUPPORT OF KENNEBEC'S PETITION FOR WAIVER

Specifically, Kennebec requests the Commission, or the Wireline Competition Bureau (the "Bureau"), waive the application of the benchmarks released by Order on January 15, 2014 as applied to Kennebec, based on the facts presented herein:

- 1. In first determining the study areas for the High-Cost Loop Support ("HCLS") calculations and application of the benchmarks, the Commission utilized Tele Atlas wire center data (now TomTom Telecommunications Suite 2011.09). The Commission attempted to assign each census block to one study area based on the location of the block's centroid.² In this process, study areas were omitted from the analysis due to data errors that would not allow the Commission to distinguish proper boundaries. Additionally, study areas were omitted due to the lack of 2010 census data.³
- 2. Kennebec was negatively affected by erroneous and/or omitted data and was improperly subjected to capped support levels for 2012 under the *HCLS Benchmarks Implementation Order*. The underlying data inputs assigned to Kennebec and used by the Bureau to conduct the regression analysis calculation contained a significant geographical mapping data error. The Bureau's input file reported 305.633 square miles

² In the Matter of Connect America Fund, et al.. Report and Order and Further Notice of Proposed Rulemaking, WC Docket No. 10-90, et al., FCC 11-161, released November 18, 2011 ("USF/ICC Transformation Order"), appeal pending, at Appendix H.

³ Id.

⁴ Connect America Fund; High-Cost Universal Service Support, WC Docket Nos. 10-90, 05-337, Order, 27 FCC Rcd 4235 (Wireline Comp. Bur. 2012) (HCLS Benchmarks Implementation Order).

as the land area served by Kennebec Telephone Company. The actual size of Kennebec's service area, however, is 742 square miles. It was also discovered that the housing units for Kennebec within the FCC's data deviated significantly from the actual number. The Bureau's input file contained 528 housing units, while the actual number of housing units reported by Kennebec is 623.⁵ The benchmarks, as calculated by the Bureau using erroneous data and as applied to Kennebec, would have resulted in significant financial harm to the company's operations.

- 3. In the HCLS Benchmarks Implementation Order, the Bureau acknowledged that concerns remained regarding the inaccuracies in the study area boundary data. In that Order, the Bureau adopted an expedited waiver process for carriers affected by the benchmarks to correct any errors in their study boundaries.⁶
- 4. After investigating its options to file an expedited waiver to correct the study area boundary, Kennebec filed for such a waiver on June 14, 2012. Less than two weeks later, on June 26, 2012, the Bureau released an Order finding that special circumstances warranted the waiver of the Commission's rules such that the benchmarks for Kennebec listed in Appendix B of the *HCLS Benchmarks Implementation Order* would be revised. With the corrected study area boundary data, the Bureau calculated the revised capex and opex benchmarks for Kennebec. As a result of this correction and recalculation,

⁵ See Reply Comments of SDTA, *In the Matter of Connect America Fund*, WC Docket No. 10-90, *et. al.* Report and Order and Further Notice of Proposed Rulemaking, FCC 11-161, (Rel. Nov. 18, 2011) at p. 23.

⁶ HCLS Benchmarks Implementation Order at ¶29.

Kennebec's HCLS was no longer limited by the 90th percentile benchmarks and the company became eligible for redistributed HCLS.⁷

- 5. Kennebec is a small business, and each dollar spent on different activities can have a material impact on its overall expenses and, in this case, on the application of the benchmarks. Kennebec incurred significant expenses in 2012 in preparing and filing the expedited waiver to correct the erroneous data used by the Bureau for that year's benchmarks. Excluding the time of Kennebec's management, the total direct third-party expenses incurred were \$11,143. The incurrence of these expenses to correct the error in the Bureau's data caused Kennebec to exceed the imposed benchmark cap for 2014 by \$5.17 per line. That is, if not for the expenditures required to seek to correct the original mapping error in the Bureau's data in 2012, Kennebec would not have incurred \$11,143 of direct third-party expenses in that year, and would have been under the 2014 cap.
- 6. The Commission may waive its rules for good cause shown. In addition, the Commission may exercise its discretion to waive a rule when the particular facts make strict compliance inconsistent with the public interest. Furthermore, the Commission may take into account considerations of hardship, equity, or more effective implementation of overall policy on an individual basis. Kennebec has demonstrated that good cause exists to grant this petition. If Kennebec would not have incurred the

⁷ Connect America Fund; High-Cost Universal Service Support, WC Docket Nos. 10-90, 05-337, Order, DA 12-995 (Wireline Comp Bur. 2012) (rel. June 26, 2012).

⁸ Kennebec is also not subject to the limitations imposed pursuant to 47 C.F.R. § 54.302(a) or 47 C.F.R. § 36.621(a)(4).

third-party expenses in the amount of \$11,143 to correct the erroneous study area

boundary data initially used by the Bureau, Kennebec would not be subjected to the 2014

cap. For this reason, Kennebec requests the Commission, or the Bureau as applicable,

waive and exempt Kennebec from the 2014 implementation and application of the

Framework to Limit Reimbursable Capital and Operating Costs.

III. **CONCLUSION AND RELIEF**

This Petition for Waiver for Kennebec should promptly be granted. Kennebec, through the facts

presented herein, clearly demonstrates that good cause exists for exempting Kennebec from the

Framework to Limit Reimbursable Capital and Operating Costs for 2014. Kennebec respectfully

requests the Commission waive and exempt Kennebec from the 2014 implementation and

application of the Framework to Limit Reimbursable Capital and Operating Costs.

Respectfully submitted,

KENNEBEC TELEPHONE COMPANY, INC.

Rod Bowar, President/General Manager

Kennebec Telephone Company 220 South Main Street

P.O. Box 158

Kennebec, SD 57544

Tel.: 605-869-2220

Filed: January 28, 2014

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June 14, 2012

Ex Parte Notice

Ms. Marlene H. Dortch, Secretary Federal Communications Commission 445 12th Street, S.W. Washington, D.C. 20554

Re: Connect America Fund, WC Docket, No. 10-90, National Broadband Plan for Our Future, GN Docket No. 09-51, Establishing Just and Reasonable Rates for Local Exchange Carriers, 07-135, High-Cost Universal Service Support, WC Docket No. 05-337, Developing a Unified Intercarrier Compensation Regime, CC Docket No. 01-92

Dear Ms. Dortch:

On June 13, 2012, Rod Bowar of Kennebec Telephone (Kennebec), Jerry Reisenauer of West River Telephone Cooperative Telephone (West River) (collectively, the Companies), Joshua Seidemann of the National Telecommunications Cooperative Association, and the undersigned met with Amy Bender, James Eisner, John Emmett, Katie King, Craig Stroup, and Roger Woock of the Wireline Competition Bureau (collectively, Staff) to deliver and discuss the Companies' respective Expedited Waiver Requests to Correct Erroneous Study Area Boundaries Used in the Regression Analysis Boundaries.

In addition to copies of the filings attached hereto, the Companies also each provided CD-Rs containing a WinZip archive with the requisite shapefiles and corresponding readme files. The Companies explained the contents of each filing, and confirmed their respective availability to provide additional explanation as may be necessary as Staff reviews the materials. The Companies expressed their interest in expeditious resolution of the requests.

Pursuant to Section 1.1206 of the Commission's rules, a copy of this letter and the written materials submitted yesterday are being filed via ECFS with your office.

Please do not hesitate to contact me at (402) 398-0062 or <u>dealdwell@consortiaconsulting.com</u> if you have any questions or require additional information.



Ms. Marlene H. Dortch June 14, 2012 Page Two

Respectfully submitted,

Dan Caldwell Consortia Consulting, Inc.

Attachment

cc: Amy Bender
James Eisner
John Emmett
Katie King
Craig Stroup
Roger Woock

June 13, 2012

Sent via Hand Delivery

Ms. Marlene H. Dortch, Secretary
Office of the Secretary
Federal Communications Commission
Attention: Lorenzo Miller or John Emmett
445 12th Street, S.W.
Washington, D.C. 20554

RE: Expedited Waiver Request of Kennebec Telephone Company to Correct Erroneous Study Area Boundaries Used in the Regression Analysis Calculations

Dear Ms. Dortch:

Pursuant to 47 C.F.R § 1.3, Kennebec Telephone Company, Inc. ("Kennebec") respectfully submits this expedited Petition for Waiver. In the Order released on April 25, 2012, the Commission adopted a streamlined, expedited waiver process for carriers affected by the benchmarks to correct any errors in the study area boundaries.

In accordance with Paragraph 29 and Appendix C of the above-referenced Order, Kennebec hereby provides the Commission with a CD-R containing a WinZip archive with the requisite shapefiles and a corresponding readme file. Kennebec believes that the submission of this information complies with the Commission's file specifications outlined in Appendix C.

The files provided to the Commission today also support the multiple advocacy efforts made by Kennebec in 2012 to modify the Commission's erroneous input file from 305.633 square miles to reflect the actual size of Kennebec's service area which spans 742 square miles. On April 10, 2012, at the request of the Wireline Competition Bureau, Kennebec filed additional data, including a study area map and affidavit from the South Dakota Public Utilities Commission, attesting to the square mileage of the study area to support Kennebec's request of a correction to the data inputs used in the regression analysis calculations. A copy of the April 10th filing is included with this submission.

In regard to the expedited waiver process, it is the understanding of Kennebec that the Commission will review the submitted files to determine whether special circumstances (i.e., inaccurate boundaries) support granting Kennebec's petition for waiver. If the Commission grants Kennebec's petition for waiver, Kennebec further understands that it will be exempt from the caps for 2012 and 2013. Kennebec also presumes that the Commission will update its input

files with the boundary data provided by Kennebec prior to rerunning the regression to calculate capex and opex limits that will be used for calculating support for 2014.

As President and General Manager of Kennebec Telephone Company, Inc., I certify under penalty of perjury that the information provided in the enclosed shapefiles accurately portrays the square mileage based on the most recent maps filed with the South Dakota Public Utilities Commission.

Respectfully submitted,

Rod Bowar

President/General Manager Kennebec Telephone Company

Encl.



April 10, 2012

Ms. Marlene H. Dortch, Secretary Federal Communications Commission 445 12th Street, S.W. Washington, D.C. 20554

RE: Correction to Kennebec Telephone Company's Erroneous Regression Analysis Data Inputs; Connect America Fund, WC Docket, No. 10-90, A National Broadband Plan for Our Future, GN Docket No. 09-51, Establishing Just and Reasonable Rates for Local Exchange Carriers, WC Docket No. 07-135, High-Cost Universal Service Support, WC Docket No. 05-337, Developing an Unified Intercarrier Compensation Regime, CC Docket No. 01-92, Federal-State Joint Board on Universal Service, CC Docket No. 96-45, Lifeline and Linkup, WC Docket No. 03-109, Universal Service Reform – Mobility Fund, WT Docket No. 10-208

Dear Ms. Dortch:

Kennebec Telephone Company, Inc. ("Kennebec") respectfully submits this letter to request that the Commission correct erroneous data inputs assigned to Kennebec by the Commission in the course of conducting regression analysis calculations. The underlying data inputs assigned to Kennebec contained significant errors. These errors resulted in Kennebec being improperly subjected to capital and operating expense caps under 47 C.F.R. § 54.302. The caps, as applied to Kennebec, would result in significant, immediate and irreparable financial harm to the company's operation.

Kennebec has provided several forms of notification to the Commission of the flawed data and the significant financial harm that would result to the company if the data were not corrected:

- Kennebec participated in the February 17, 2012 reply comment filing of the South Dakota Telecommunications Association. In that filing, SDTA informed the Commission that due to geographical mapping data errors the Commission's input file reported 305.633 square miles as the land area served by Kennebec Telephone. The actual size of Kennebec Telephone's service area is 742 square miles. The housing units for Kennebec as identified or listed by the FCC's data deviated significantly from the actual number. The Commission's input file contains 528 housing units while the actual number of housing units reported by Kennebec is 623.
- On March 2, 2012, Kennebec sent a letter (attached) to the Commission reiterating its concern that incorrect data was being relied upon for purposes of determining future high cost funding distributions. Further, Kennebec requested information about the process the Commission had in place to allow affected companies the opportunity to correct the data inputs used in the regression analysis. No response has been received as of the date of this letter.
- On March 19, 2012, Kennebec participated in a meeting (Ex Parte Notice attached) with Commission WCB staff. Kennebec again expressed concern that given the magnitude of the errors in the input data, Kennebec was most likely placed in an incorrect group of "similarly situated" peer companies. Kennebec attempted to illustrate to the Commission how incorrect placement could lead to devastating financial impacts to the company.
- In a later meeting on March 30, 2012, the Commission informed the National Telecommunications Cooperative Association that companies needing data corrections should meet with the Commission to get the erroneous information corrected.

¹ See, Reply Comments of SDTA, In the Matter of Connect America Fund, WC Docket No. 10-90, et. al. Report and Order and Further Notice of Proposed Rulemaking, FCC 11-161, (Rel. Nov. 18, 2011) at p. 23.

Since Kennebec has previously met with the Commission on March 19, 2012 and brought the underlying data errors to light, Kennebec requests that the Commission correct Kennebec's data inputs in accordance with the information attached to this letter, certifying the correct total land area and housing units and recalculate the support amounts with the amended information. Attached herein, Kennebec provides considerable documentation certifying the total square miles and housing unit data the Commission should utilize.

With the July 1, 2012 implementation date nearing, Kennebec has an immediate need to ascertain whether, and/or how, the company will be impacted under the implementation of the regression analysis framework. Kennebec plans to take further action to resolve the data errors if the corrections are not confirmed by April 30, 2012.

Respectfully submitted,

Rod Bowar

President/General Manager Kennebec Telephone Company

Attachment(s)

cc:

Carol Mattey Sharon Gillett Michael Steffen Angela Kronenberg Christine Kurth



March 21, 2012

Ex Parte Notice

Ms. Marlene H. Dortch, Secretary Federal Communications Commission 445 12th Street, S.W. Washington, D.C. 20554

Re: Connect America Fund, WC Docket, No. 10-90, National Broadband Plan for Our Future, GN Docket No. 09-51, Establishing Just and Reasonable Rates for Local Exchange Carriers, 07-135, High-Cost Universal Service Support, WC Docket No. 05-337, Developing a Unified Intercarrier Compensation Regime, CC Docket No. 01-92

Dear Ms. Dortch:

On March 19, 2012, Rod Bowar of Kennebec Telephone (Kennebec), Jerry Reisenauer of West River Telephone Cooperative Telephone (West River), Richard Coit of the South Dakota Association of Telephone Cooperatives, Dan Caldwell and Rhonda Maun of Consortia Consulting, and the undersigned (collectively, the Companies) met with Amy Bender, Patrick Halley, Katie King, Gary Siegel, James Eisner, and Rodger Woock of the Wireline Competition Bureau (collectively, Staff) to discuss the above-referenced proceedings.

The Companies explained that data underlying the proposed regression analysis and relating to Kennebec and West River are incorrect. Specifically, Kennebec explained that although it serves 623 housing units within 742 square miles, the data relied upon by the Commission avers that Kennebec serves 528 housing units within 305 square miles. Similarly, West River explained that although it serves 3,526 housing units within 6,209 square miles, Commission data avers that West River serves 564 housing units within 261 square miles. The Companies expressed their concern that the errors by factors of 2.4x and 23.8x, respectively, could lead to placement of the Companies in an incorrect group of "similarly situated" peers. The Companies explained that those incorrect placements could lead to devastating financial impacts for each company.

In response to the Companies' concern regarding the need to correct the errors, Staff asked whether the Companies would be willing to participate in data collection activities that would investigate study areas and service area boundaries; Kennebec and West River stated that they would agree to participate in such an effort to correct the errors. Noting the impending July 2012 timeline for adoption of new regulations based on the regression analysis, however, the

Ms. Marlene H. Dortch March 21, 2012 Page Two

Companies asked how the errors could be corrected in the near term. In response, Staff stated the Companies have been preceded by other entities identifying errors of a similar nature, and advised the Companies that entities seeking correction of the Commission data should file a waiver. The Companies expressed their position that a less-burdensome process would be far better suited to the task of correcting a plain and verifiable data error; the Companies further proposed that a waiver process (particularly one as burdensome and intensive as that contemplated in the October 27, 2011, Order in the above-captioned dockets) is more suited to a situation in which the underlying "facts in evidence" are not disputed. In contrast, the instant situation contemplates a data correction that can be achieved in a comparatively streamlined manner.

In further discussion, Staff explained that since the model functions upon a premise of projective geometry, correction of the errors relating to the Companies' respective service areas would implicate *de facto* the accuracy of other service areas. The Companies acknowledged the "butterfly theory" impact that correction of data relating to their service areas might engender, but reiterated that the incorrect data was not of their creation and that the Commission's reliance upon it would harm the Companies; moreover, such reliance by the Commission would, by definition, result in a model that was patently erroneous in its distributions across potentially wide swaths of the industry.

In support of their discussion, the Companies relied upon the attached presentation.

Pursuant to Section 1.1206 of the Commission's rules, a copy of this letter is being filed via ECFS with your office.

Please do not hesitate to contact me at (703) 351-2035 or <u>jseidemann@ntca.org</u> if you have any questions or require additional information.

Respectfully submitted,

/s/ <u>Joshua Seidemann</u> Joshua Seidemann Director of Policy

Attachment

cc: Amy Bender Patrick Halley Katie King Gary Siegel James Eisner Roger Woock

West River and Kennebec

Erroneous Data = Unintended Consequences

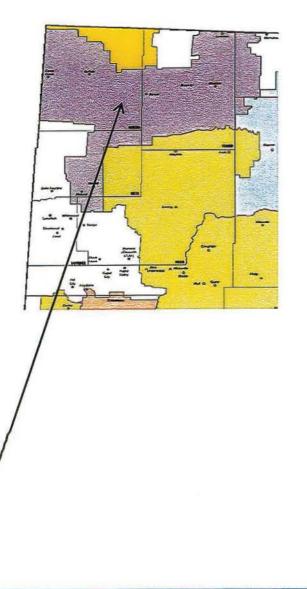
Meeting with FCC WCB

March 19, 2011 – 4pm ET

Jerry Reisenauer, West River General Manager
Rod Bowar, Kennebec General Manager/Owner

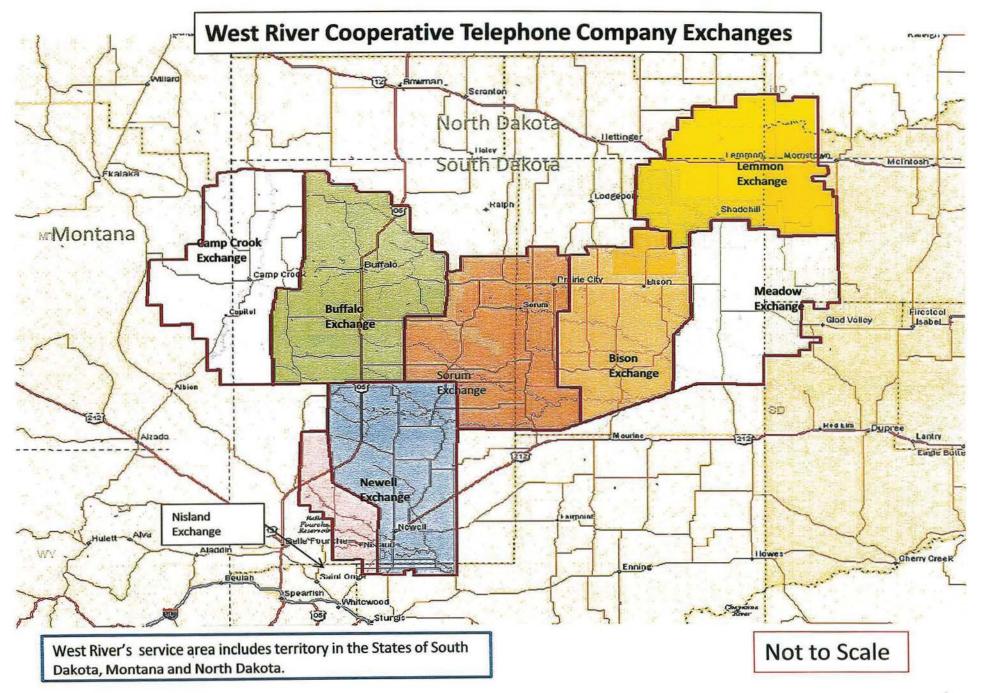
Meeting Premise

- West River and Kennebec, two rural South Dakota ILECs, have discovered inaccurate mapping data in the FCC's quantile regression model.
- With the limited details available to us, we believe the identified input errors have improperly reduced their HCLS eligibility.
- With no process defined for error correction, these companies face serious financial harm – we seek your assistance in correcting these errors and the unintended consequences.



West River	Actual	FCC Model
Loops	3,479	3,479
Square Miles	6,209	261
Housing Units	3,526	564

Kennebec	Actual	FCC Model
Loops	743	743
Square Miles Served	742	305
Housing Units	623	528



Algorithm Categories "Capped"

West River

- C&WF Gross Plant (AL1)
 - · Land Area = second most significant coefficient
- C&WF Depreciation and Amortization (AL17)
 - · Land Area = second most significant coefficient

Kennebec

- Materials and Supplies (AL7)
 - · Land Area = second most significant coefficient
- C&WF Maintenance Expense (AL13)
 - Land Area = second most significant coefficient
- C&WF General Support Expense (AL15)
 - Land Area = second most significant coefficient

Possible Impacts of Erroneous Data

- With the square mile data of the two companies in error by factors of 23.8x and 2.4x respectively, the companies may be in the wrong group of "similarly situated" peers.
- With Land Area as the second most significant coefficient in every algorithm category that was capped, correction of all mapping errors would yield different results.
- While these specific errors may or may not be mathematically significant to the model, they are financially harmful to West River and Kennebec.

Financial Consequences

- As a result of the inaccurate inputs, West River and Kennebec will not be eligible for redistributed HCL support under the new order.
- West River loses approximately \$600k in annualized incremental HCL support eligibility, while Kennebec loses approximately \$60k in support eligibility.
- The amount of the forfeited HCL support due to these errors, combined with the consequences of other policy changes such as lost LSS, results in significant financial harm to both companies.

Error Correction Process Needed

- No process for correction of input errors is defined in the order.
- West River and Kennebec, impacted by data errors outside their control, should not have to face the cost, or uncertainty, of a waiver process to get their in accurate data corrected.
- Examples of other data corrections from the Attachment to Sharon Gillett's February 21st peer review charge letter:
 - Addition of Allband census data
 - 3 study areas excluded from the regression
 - Addition of Guam and American Samoa
 - Exclusion of 25 cost companies with frozen support
- How do we get the inaccurate data corrected?

West River Gross Plant Analysis (AL1) The 70 Study Areas w/ between 3,000 and 4,000 Loops

SAC	Study Area Name	ST	SACPL	Loops	Land Area sq. miles	Housing Units	C&WF Gross Plant	Rank if GP per Loop	Rank i GP pe Sq.mi.	r
391689	WEST RIVER COOP	SD	1,856	3,479	6,209	3,526	33,830,604		1	62
452179	GILA RIVER TELECOM.	AZ	2,686			3,298			2	23
431988	DOBSON TEL CO	OK	2,095	3,492	2,432				3	58
411780	HAVILAND TEL CO	KS	1,739	3,212	1,497	3,330	20,445,176		4	55
421890	GREEN HILLS TEL CORP	MO	1,425	3,262	838	4,180	19,406,586		5	48
320759	DAVIESS-MARTIN/RTC	IN	1,300	3,073	196	2,878	17,671,001		6	13
361501	WEST CENTRAL TEL	MN	1,575	3,523	805	5,164	20,157,840		7	44
341025	SHAWNEE TEL. CO.	IL	1,808	3,702	509	4,380	20,797,055		8	25
391685	VALLEY TELECOMM.	SD	1,476	3,227	2,344	3,404	18,025,777		9	60
330918	NELSON TEL COOP	WI	1,170	3,714	388	3,525	20,557,498		10	20
391647	CHEYENNE RIVER SIOUX	SD	1,097	3,112	4,714	2,785	17,158,439		11	65
431994	GRAND TEL CO INC	OK	1,287	3,265	110	4,004	18,000,919		12	3
421914	MARK TWAIN RURAL TEL	MO	1,087	3,713	1,021	4,316	20,043,819		13	49
411833	SOUTHERN KANSAS TEL	KS	1,798	3,998	1,457	4,548	20,675,720		14	52
381631	RED RIVER RURAL TEL	ND	1,056	3,529	1,605	4,374	18,022,197		15	57
330908	MARQUETTE-ADAMS COOP	WI	1,480	3,278	184	4,324	16,413,825		16	11
341047	MCDONOUGH TEL COOP	IL	1,327	3,610	671	4,532	17,702,088		17	41
442116	MUENSTER DBA NORTEX	TX	1,267	3,847	472	4,009	18,156,997		18	26
351129	CITIZENS MUTUAL TEL	IA	959	3,401	435	3,420	15,789,299		19	34
421917	MID-MISSOURI TEL CO	MO	1,296	3,469	714	3,834	15,947,669		20	47

If Gross Plant is analyzed solely based on loop counts, West River is the highest cost SA of the 70 SAs between 3,000 and 4,000 loops. If line density is considered, West River is among the lowest cost SAs in the group of 70 (#62).

A similar analysis of Depreciation Expense (AL17) ranks West River #1 based solely on loops and #58 based on line density.

To determine line density for this analysis, we divided total Gross Plant investment by the quotient of square miles served/loops. West River's network covers 1.78 square miles of study area for each loop. The peer group average is 0.53 square miles.

The West River Sorum exchange covers 1,368 square miles and serves 159 access lines, 8.6 square miles per loop.

Kennebec Materials & Supply Analysis (AL7) 160 Study Areas w/less than 1,000 Loops

SAC	SANAME	ST	SACPL	Loops	Materials	Maint.	Gen Supp.	Land area	Housing	Rank if	Rank if
SAC	SAIVAME	٥.	ONO! L	Сооро			The second of th				Distriction
					& Supplies	Expense	Expense	Sq. Miles	Units	by Loops	by sqmi/Loop
442073	BORDER TO BORDER	TX	15,868	96	66,947	15,347	47,649	472	115		1 97
432029	TERRAL TEL CO	OK	5,077	217	120,255	64,213	51,477	52	314	3	2 13
462178	AGATE MUTUAL TEL CO	CO	4,530	113	45,921	67,365	26,109	418	178		3 98
610989	ADAK TEL UTILITY	AK	12,822	151	59,816	152,847	141,893	759	500		100
371557	HARTMAN TEL EXCH INC	NE	2,799	466	137,581	135,005	32,678	637	437		36
300598	MCCLURE TEL CO	OH	1,974	587	124,847	31,103	14,511	34	753		5 2
431831	S. CENTRAL TEL - OK	OK	5,443	297	60,510	89,363	25,683	150	242		7 30
472233	RURAL TEL CO - ID	ID	2,530	684	115,123	217,035	53,284	3,864	1,491		86
351130	CLARENCE TEL CO	IA	1,559	643	80,421	37,840	37,942	83	729		11
341045	LEAF RIVER TEL CO	IL	1,929	405	50,626	187,658	31,516	51	603	10	15
442066	DELL TEL. CO-OP - TX	TX	6,624	833	99,477	260,200	137,371	7,395	1,044	1	
462195	SOUTH PARK TEL. CO.	CO	6,116	167	19,689	5,839	17,921	169	402	13	2 88
532390	OREGON-IDAHO UTIL.	OR	2,986	662	71,252	175,952	55,372	4,931	1,438	1:	3 107
391668	KENNEBEC TEL CO	SD	2,258	743	79,724	215,450	125,695	742	528	14	46
351105	AYRSHIRE FARMERS MUT	IA	1,353	255	26,770	28,733	15,128	95	318	15	5 51
442065	CUMBY TEL COOP INC	TX	903	747	77,039	49,213	7,150	50	738	10	3 4
482254	SOUTHERN MONTANA TEL	MT	2,902	956	80,029	67,010	18,661	3,205	1,031	1	7 82
462202	ROGGEN TEL COOP CO	CO	1,985	232	19,289	11,372	18,105	204	244	1:	84
452191	ACCIPITER DBA ZONA	AZ	6,709	521	43,044	59,343	40,071	30	58	15	
150085	CROWN POINT TEL CORP	NY	1,080	833	67,021	164,905	19,314	81	1,148	20	9

If Materials and Supplies are analyzed solely based on loop counts, Kennebec is in the Top 10% of the 160 companies with less than 1,000 loops. If line density is considered, Kennebec falls to #46 in the group of 160 .

A similar analysis of Maintenance Expense ranks Kennebec #17 based solely on loops and #76 based on line density. (AL13)

To determine line density for this analysis, we divided total Gross Plant investment by the quotient of square miles served/loops. Kennebec serves one customer for every one square mile of service area.

A similar analysis of General Support Expense ranks Kennebec #13 based solely on loops and #55 based on line density. (AL15)

Peer Review Comments

Tracy Waldon, Media Bureau

- "...in its current form, the Appendix does not make a convincing argument that the existing explanatory variables are sufficient to adequately determine similarly situated study areas."
- "The process by which firms produce telecom services is fairly well known.
 Existing knowledge about that production process from engineering models and studies may provide the best guidance in regards to which factors are the most significant cost drivers."

Paroma Sanyal, Economist OSP

- "...one may think about using an alternative variable, such as loop length, which may be a better predictor of cost than simple loop counts."
- "Arguably, the cost of the one long loop will be greater than the cost of a short loop, and thus using the number of loops as a covariate distorts the cost predictions on the long-loop carrier."

KENNEBEC TELEPHONE Co., INC.

P.O. Box 158 - 220 S. Main Kennebee SD 57544 605-869-2220 fax 605-869-2221

FILED/ACCEPTED

MAR 5 2012

Federal Communications Commissions Office of the Secretary

March 2, 2012

VIA EMAIL

Ms. Amy Bender
Deputy Division Chief
Wireline Competition Bureau

Federal Communications Commission

445 12th Street, SW Washington, DC 20554

Re: WC Docket No. 10-90, Connect America Fund; GN Docket No. 09-51, National Broadband Plan for our Future; WC Docket No. 07-135, Establishing Just and Reasonable Rates for Local Exchange Carriers; WC Docket No. 05-337, High-Cost Universal Service Support; CC Docket No. 01-92, Developing a Unified Intercarrier Compensation Regime; CC Docket No. 96-45, Federal State Joint Board on Universal Service; WC Docket No. 03-109, Lifeline and Link-Up, Universal Service Reform – Mobility Fund, WT Docket No. 10-208

107-10-208

Dear Ms. Bender:

Kennebec Telephone Company is a rate-of-return regulated rural telephone company and a member of the South Dakota Telecommunications Association (SDTA) and we presently have concerns with the accuracy of certain input data being used by the Commission in its statistical or "Regression Analysis" model that is proposed for use in limiting ROR carrier capital and operating expense recovery. Our concerns were briefly mentioned in recent comments filed by SDTA in the above referenced docketed proceedings (see SDTA Reply Comments dated February 17, 2012, pp. 22-23).

More specifically, to this point, we have discovered that the geographical mapping data used as an input in the model for the Kennebec Telephone Company rural service area is substantially inaccurate. The Commission's input file contains 305.633 square miles as the land area served by Kennebec Telephone. The actual size of our service area or study area is 742 square miles. The prospect that this inaccurate data may be relied on for purposes of determining future high cost funding distributions to Kennebec Telephone is a matter of great concern and we would like to have some assurances that the incorrect input data will be corrected. Accordingly, we would ask at this time what process, if any, is in place to allow for such corrections and whether any additional action is expected of Kennebec Telephone as part of this process.

We are hoping that the Commission has already taken steps to correct these errors with the model input data, but certainly would like to know if more information is expected of us in order to facilitate the necessary data corrections.

Please feel free to contact me directly with any information you have on this matter (at 605-869-2220). We are also certainly willing to meet with anyone at the Commission on this matter, if that is desired.

Sincerely,

/s/ Rod Bowar Rod Bowar CEO/President/General Manager Kennebec Telephone Company, Inc.

Before the FEDERAL COMMUNICATIONS COMMISSION Washington, DC 20554

In the Matter of)
Connect America Fund) WC Docket No. 10-90
A National Broadband Plan for Our Future) GN Docket No. 09-51
Establishing Just and Reasonable Rates for Local Exchange Carriers) WC Docket No. 07-135
High-Cost Universal Service Support) WC Docket No. 05-337
Developing an Unified Intercarrier Compensation Regime) CC Docket No. 01-92
Federal-State Joint Board on Universal Service) CC Docket No. 96-45
Lifeline and Link-Up) WC Docket No. 03-109
Universal Service Reform – Mobility Fund) WT Docket No. 10-208

AFFIDAVIT OF ROD BOWAR IN SUPPORT OF KENNEBEC TELEPHONE COMPANY, INC.'S REQUEST FOR DATA CORRECTION

- I, Rod Bowar, being of lawful age and duly sworn, state as follows:
- 1. My name is Rod Bowar. My business address is 220 South Main Street, P.O. Box 158, Kennebec, SD 57544. My title is President/General Manager of Kennebec Telephone Company, Inc. ("Kennebec") and I have worked for the company in a management capacity since 1980. I am responsible for overseeing the daily operations of Kennebec, regulatory affairs, project development, network deployment decisions and general management duties of the company.

- I submit this affidavit in support of Kennebec Telephone Company, Inc.'s Request for Data Correction.
- I hereby verify that as the President/General Manger of Kennebec, I have reviewed the
 documentation submitted in support of Kennebec's Request for Data Correction and
 verify the accuracy of the information submitted.
- 4. The underlying data inputs used by the Commission to conduct the regression analysis calculations contained significant errors. The Commission's data input file indicated 305.633 square miles as the land area served by Kennebec, containing 528 housing units.
- 5. As established by the attached documentation, Kennebec's total service area was previously communicated to the Commission as 742 square miles. However, based upon the telephone service area boundary maps on file with the South Dakota Public Utilities Commission, I hereby verify that the actual land area served by Kennebec is 746.872 square miles, in which Kennebec actually serves 623 housing units.
- 6. Working with various industry associations, I, as President/General Manger of Kennebec, have made several concerted efforts to bring the incorrect data to the Commission's attention, including highlighting the incorrect data in comments filed by the South Dakota Telecommunications Association on February 17, 2012, filing a written ex parte on March 2, 2012, and participating in an ex parte meeting at the Commission on March 19, 2012.
- 7. To date, despite repeated attempts on the part of Kennebec to get the errors remedied, including an in-person, ex parte meeting at the Commission on March 19, 2012, the Commission has not corrected Kennebec's data errors. If left uncorrected, the erroneous

data upon which the Commission relied will result in significant reductions to Kennebec's universal service support.

8. This completes my affidavit.

VERIFICATION

I, Rod Bowar, declare under penalty of perjury that the statements in this Affidavit are true and correct to the best of my knowledge and belief.

Rod Bowar

President/General Manger

Kennebec Telephone Company, Inc.

220 South Main Street

P.O. Box 158

Kennebec, SD 57544

Subscribed and sworn to before me, this April, 2012.
Debbie Miller (Printed Name)
Notary Public, Lynan County, South Dakota
Acting in the County of
My Commission Expires:
OF NOTAPL S
SEAL E
OUBLIGHT

AFFIDAVIT OF BRIAN P. ROUNDS

STATE OF SOUTH DAKOTA)
) ss
COUNTY OF HUGHES)

Brian P. Rounds, being first duly sworn under oath, states and alleges as follows:

- My name is Brian P. Rounds. I am a utility analyst with the South Dakota Public Utilities
 Commission ("SDPUC"). I have a Bachelor of Science Degree in Electrical Engineering. I have
 also been trained in the Geographic Information System ("GIS") software in use by the State
 of South Dakota.
- Kennebec Telephone Co., Inc. ("Kennebec Telephone") is a rural incumbent local exchange company operating in South Dakota.
- 3. I projected the telephone service area boundary maps on file with the SDPUC into our GIS software to calculate the area of Kennebec's territory. My calculations of the service area of Kennebec Telephone are based on the result of these calculations, records on file with the SDPUC, and discussions with representatives of Kennebec Telephone and representatives of an adjacent telephone company to the extent map boundaries were not in perfect alignment with each other.
- 4. Based on my calculations, Kennebec Telephone has an area of 746.872 square miles. Attached is a map of the territory, labeled Exhibit A.

AFFIANT SAYS NOTHING FUTHER.

Dated this 6 of April, 2012.

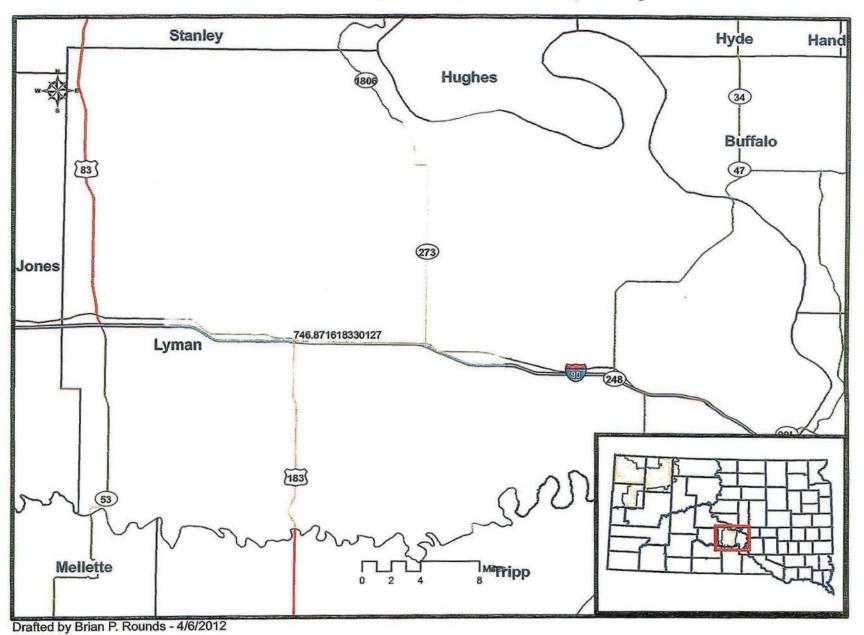
Brian P. Rounds

Subscribed and sworn to before me . this _____ day of April, 2012.

Notary Public

TINA DOUGLAS My Commission Expires April 14, 2017

Kennebec Telephone Company, Inc.





SOUTH DAKOTA PUBLIC UTILITIES COMMISSION

500 East Capitol Avenue Pierre, South Dakota 57501-5070 www.puc.sd.gov Capitol Office (605) 773-3201 1-866-757-6031 fax

Grain Warehouse (605) 773-5280 (605) 773-3225 fax

Consumer Hotline 1-800-332-1782

April 10, 2012

Ms. Marlene H. Dortch, Secretary Federal Communications Commission 445 12th Street, S.W. Washington, D.C. 20554

Dear Ms. Dortch:

Kennebec Telephone Company, a rural telecommunications and broadband service provider integral in serving the rural areas and residents of South Dakota, has brought to my attention its concerns regarding the incorrect data inputs used by the Federal Communications Commission to determine the distribution of universal service support.

I am familiar with the geographical areas served by Kennebec and can verify that the total square miles, as reported in the Commission's data files for Kennebec's service area, are vastly underreported.

I am supportive of the Commission taking corrective action to amend the data input numbers in accordance with the certified documentation provided by the South Dakota Public Utilities Commission, Brian Rounds from the SDPUC has prepared an affidavit containing the correct service area total for Kennebec Telephone Company.

It is troubling that the FCC would rely on data inputs which are faulty for such an important computation as is being accomplished with the regression analysis. I ask that you utilize the accurate data which this Commission has provided.

Thank you for your consideration.

Sincerely,

Chris Nelson, Chairman

cc: Carol Mattey

Sharon Gillett Michael Steffen Angela Kronenberg Christine Kurth